

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 /099 W

-----035662 081737Z /50

P 081642Z AUG 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 6402

INFO AMEMBASSY PARIS PRIORITY

USMISSION GENEVA PRIORITY

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USOECD; USMTN

E.O. 11652: N/A

TAGS: ETRD, GATT, EFIN, IT

SUBJECT: NOTIFICATIONS OF SERVICES RESTRAINTS IN THE MTN

REF: STATE 180515 (NOTAL)

SUMMARY. EMBASSY BELIEVES SERVICES RESTRAINTS IN ITALY NOT CURRENTLY SIGNIFICANT AND THAT PROBABLY LITTLE UTILITY IN ATTEMPTING TO REDUCE OR REMOVE SUCH RESTRAINTS AS DO EXIST IN MTN. WE HAVE IMPRESSION THAT OECD REMAINS MOST SUITABLE FORUM FOR DEALING WITH SUCH SERVICES RESTRAINTS AS ARE NOW IN EFFECT IN ITALY. END SUMMARY.

1. BELIEVE ITEM ON COINSURANCE (PARA 4, REFTTEL) IS REFERENCE TO REQUIREMENT THAT COMPANIES OPERATING IN ITALY CEDE TO INA (NATIONAL INSURANCE INSTITUTE) A PORTION OF EACH RISK COVERED BY LIFE INSURANCE IN THEIR ITALIAN PORTFOLIOS. PORTION VARIES FROM 40 PERCENT TO 10 PERCENT IN INVERSE RELATION TO LENGTH
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OF TIME COMPANY HAS BEEN IN BUSINESS IN ITALY; I.E. 40 PERCENT DURING FIRST TEN YEARS, 30 PERCENT DURING SECOND TEN YEARS, 20 PERCENT DURING THIRD TEN YEARS AND 10 PERCENT THEREAFTER (SEE ROME A-606 OF OCT. 18, 1973). GOI HAS MADE RESERVATION, COVERING THIS REQUIREMENT, TO OECD CODE OF LIBERALIZATION OF CURRENT INVISIBLE OPERATIONS.

2. REQUIREMENT IS NOT DISCRIMINATORY: IT APPLIES TO DOMESTIC AS WELL AS FOREIGN FIRMS. INTENT IS TO PROTECT PUBLIC AGAINST WEAK OR RELATIVELY UNTRIED INSURERS. THIS PROVISION GOES BACK MANY YEARS TO TIME WHEN SOCIAL SECURITY WAS NOT AVAILABLE IN ITALY AND MANY DEPENDED ON INSURANCE ANNUITIES AS PRIME SOURCE OF FUNDS DURING RETIREMENT. OTHER LIKELY REASONS FOR MAINTAINING THIS REQUIREMENT ARE THAT IT (A) REDUCES DEPENDENCE ON OUTSIDE SOURCES WHICH MIGHT BE SLOW TO MAKE INSURANCE AWARDS, (E.G. MIGHT TAKE ISSUES TO FOREIGN ARBITRATION COURTS) IN SOME CIRCUMSTANCES AND (B) TENDS TO KEEP INSURANCE PREMIUM PROCEEDS IN ITALY, THEREBY REDUCING BALANCE OF PAYMENTS OUTFLOWS AND INCREASING FUNDS AVAILABLE FOR INVESTMENT.

3. LIFE INSURANCE PREMIUMS PAID IN ITALY IN 1975 (LAST YEAR FOR WHICH DATA AVAILABLE) TOTALED \$846 MILLION OR ABOUT 19.7 PERCENT OF TOTAL INSURANCE PREMIUMS PAID IN THE YEAR. IF U.S. FIRMS WERE THE ONLY FIRMS OPERATING IN ITALY OTHER THAN INA AND THEY HAD BEEN ESTABLISHED HERE FOR 30 YEARS THE RESTRAINTS WOULD BE WORTH ABOUT \$85 MILLION IN PREMIUMS. UK, FRENCH, SWISS AND BELGIAN FIRMS ARE ACTIVE IN ITALY'S GROWING MARKET. WE ARE NOT AWARE OF ANY REASON WHY U.S. FIRMS COULD NOT ALSO PARTICIPATE IN THIS GROWTH. FURTHERMORE, FIRMS SHARE IN INA'S PROFITS (AND IT IS PROFITABLE) IN PROPORTION LIMITED OFFICIAL USE

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TO INSURANCE THEY PLACE WITH INA.

4. EMBASSY SEES LITTLE UTILITY IN ATTEMPTING TO REDUCE OR ELIMINATE THIS SERVICE RESTRAINT IN THE MTN. WE BELIEVE GOI AND EC COULD JUSTLY SAY THIS IS MATTER WHICH HAS BEEN REVIEWED UNDER OECD CODE OF LIBERALIZATION OF CURRENT INVISIBLE OPERATIONS.

5. EMBASSY INQUIRIES AT MINISTRY OF FOREIGN TRADE INDICATE THAT IMPORTATION OF TV COMMERCIALS PRODUCED OUTSIDE ITALY IS NOT FORBIDDEN. CHECK WITH A COSMETICS/TOILETRIES FIRM (US SUBSIDIARY) THAT PLACES TV ADS ALSO INDICATE THAT FIRMS HAVE NO DIFFICULTY IN IMPORTING TAPES, CASSETTES OR FILMS ALREADY MADE. FOREIGN EXCHANGE PAYMENT FOR SUCH IMPORTS IS ALLOWED UPON PRESENTATION OF DOCUMENTS TO COMMERCIAL BANKS.

6. IF, HOWEVER, A FIRM WISHES TO PRODUCE A TV COMMERCIAL ABROAD (ESPECIALLY IF IT INVOLVES SENDING ITALIANS ABROAD) ADVANCE AUTHORIZATION MUST BE SOUGHT FROM THE MINISTRY

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LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
OMB-01 /099 W
-----035773 081736Z /50

P 081642Z AUG 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 6403
INFO AMEMBASSY PARIS PRIORITY
USMISSION GENEVA PRIORITY

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OF FOREIGN TRADE. SUCH AUTHORIZATION IS USUALLY GRANTED
SUBJECT TO CLOSE SCRUTINY OF FOREIGN EXCHANGE COSTS.
ACCORDING TO ONE OFFICIAL, SOME FIRMS HAD BEEN
USING SUCH JOBS AS CHANNEL FOR ILLEGALLY EXPORTING FOREIGN
EXCHANGE. HE SAID SURVEY HAD SHOWN THE VALUE OF
IMPORTED FILM PRODUCED ABROAD BY THESE FIRMS HAD AVERAGED
ONLY ABOUT 25 PERCENT OF FOREIGN EXCHANGE REMITTED TO
PAY FOR THEM.

7. PARA 4 (A) OF REFTTEL MAY ALSO REFER TO RESTRICTION
(IN DECREE LAW NO. 603 OF NOV. 30, 1974) ON HOLDERS OF
LICENSES TO OPERATE REPEATER TRANSMITTER FOR FOREIGN TV
STATIONS TO ELIMINATE FROM FOREIGN PROGRAMS ALL PARTS
HAVING AN ADVERTISING CHARACTER. INTENT IS TO PREVENT
LOCAL COMPANIES FROM CIRCUMVENTING, THROUGH USE OF FOREIGN
STATIONS, REQUIREMENT THAT TOTAL DURATION OF ADVERTISING
NOT EXCEED FIVE PERCENT OF TRANSMITTER'S TOTAL
PROGRAM DURATION AS WELL AS OTHER REQUIRMENTS GOI HAS
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ON THE NATURE OF ADVERTISING ALLOWED ON TV.

8. GOI HAS A RESERVATION, THAT APPARENTLY COVERS THESE REQUIREMENTS, TO THE CODE OF LIBERALIZATION OF CURRENT INVISIBLES. THESE RESTRICTIONS DO NOT APPEAR TO BE SIGNIFICANT TO THE EXPORT TO ITALY OF TV ADVERTISING FILM, THE PROMOTION OF U.S. EXPORTS OR THE PRODUCTS MANUFACTURED IN ITALY UNDER LICENSE OR TO SALES OF US ADVERTISING OR FILM SERVICES IN THE U.S. AGAIN, WE DO NOT THINK AN ATTEMPT TO ELIMINATE IN THE MTN SUCH RESTRAINTS AS EXIST WOULD BE USEFUL.

9. OTHER SIGNIFICANT RESTRAINTS ON SERVICES. IN RATHER DISTANT PAST, EMBASSY RECEIVED COMPLAINTS ON CUSTOMS VALUATION AND REMITTANCES RELATED TO COMMERCIAL MOTION PICTURE FILMS AND AGAINST ITALIAN STATE ENTERPRISES FOR PLACING INSURANCE WITH STATE-CONTROLLED INSURANCE COMPANIES. AS EMBASSY HAS NOT RECEIVED SUCH COMPLAINTS FOR MANY YEARS WE BELIEVE MOST SIGNIFICANT ISSUES HAVE BEEN RESOLVED. MOST RECENT COMPLAINTS HAVE BEEN RELATED TO PROVISION OF SECURITY SERVICES IN ITALY WHICH ARE SUBJECT TO LICENSING BY THE ITALIN POLICE. UNDER ITALIAN LAW, PERMITS MAY NOT BE GRANTED TO FOREIGNERS (PHYSICAL OR LEGAL). THREE U.S. COMPANIES HAVE FOUND A MODUS VIVENDI, HOWEVER, BY ESTABLISHING ITALIAN SUBSIDIARIES. INTENT OF ITALIAN REGULATION IS TO PREVENT ESTABLISHMENT OF SERVICES THAT MIGHT ENGAGE IN ESPIONAGE OR OTHERWISE ENDANGER NATIONAL SECURITY. WE, THEREFORE, DEEM THIS RESTRAINT TO BE INSIGNIFICANT IN TERMS OF MARKET IMPORTANCE AND NOT SUITABLE FOR MTN NEGOTIATIONS.
HOLMES

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Message Attributes

Automatic Decaptioning: X
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1673942
Secure: OPEN
Status: NATIVE
Subject: NOTIFICATIONS OF SERVICES RESTRAINTS IN THE MTN
TAGS: ETRD, EFIN, IT, GATT, MTN
To: STATE USOECD MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1d18dd5f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009